

Message Text

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ORIGIN XMB-04

INFO OCT-01 EA-09 ISO-00 EB-07 COME-00 TRSE-00 FTC-01

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FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI PRIORITY

INFO AMCONSUL HONG KONG PRIORITY PRIORITY

UNCLAS STATE 237546

HONG KONG PASS GEORGE W. BOGDANOFF EXIMBANK VICE PRESIDENT

E. O. 11652: N/A

TAGS: EFIN, TW

SUBJECT: EXIMBANK LOAN GUARANTEE: PRESTO TAIWAN

REF: TAIPEI 6346

1. SOCIETY NATIONAL BANK ON OCTOBER 2, RELAYED TO EXIMBANK
FOLLOWING: QUOTE RECEIVED TODAY FROM SNCB IN TAIWAN: INSIDE QUOTE
THANKS FOR YOUR 2 OCT. CABLES. OUR VIEWS AS FOLLOWS: SIX MONTHS
GRACE PERIOD DESIRED. THEREAFTER FEEL EQUAL QUARTERLY PAYMENTS
SPREAD OUT OVER FOLLOWING TWO YEARS WOULD BE REASONABLE AND
AT SAME TIME WOULD COINCIDE CLOSELY WITH RESTRUCTURED PAYMENT
SCHEDULE FNCB RECENTLY GRANTED PRESTO. FOR OUR PART WE ARE
TRYING TO MAKE PRESTO VIABLE. WE HOPE TO AVOID ITS BANKRUPTCY
AND WOULD CERTAINLY BE WILLING TO CONSULT WITH EXIM/SOCIETY ON
ANY ACTION TOWARD PRESTO BANKRUPTCY. WE WOULD NOT HINDER PRESTO
FROM MAKING REPAYMENTS AS LONG AS IT IS ECONOMICALLY ABLE TO DO
SO. AS SOON AS WE RECEIVE FIRM SOCIETY/EXIMBANK ASSURANCES ON
ABOVE WE WILL MOVE AHEAD TO RELEASE ATTACHMENT. TROUBLING YOU
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FURTHER WOULD APPRECIATE STATEMENT OF WHAT SOCIETY/EXIM OUT-

STANDINGS WILL BE AFTER SALE OF ACMES. REGARDS. DONOVAN.
END INSIDE QUOTE

2. SOCIETY'S COMMENTS TO THIS PROPOSAL ARE: INSIDE QUOTE
SOCIETY WOULD RECOMMEND RESTRUCTURING ON TERMS FNCB SUGGEST
IF ATTACHMENT WOULD BE LIFTED. FOR YOUR INFO LOAN BALANCE IS
\$183M PLUS \$40M UNPAID INTEREST OR \$223. MACHINES TO BE SOLD
FOR \$165M LESS DUTY/FREIGHT 50M LEAVING \$115M FOR LOAN PAYMENT.
APPROXIMATELY \$108M WOULD THEN BE INVOLVED IN RESTRUCTURING.
WE ASSUME THIS LOAN BALANCE WOULD CARRY A NOMINAL INTEREST
RATE. WHAT ARE YOUR VIEWS? REGARDS. LOFTUS END INSIDE
QUOTE END QUOTE.

3. EXIMBANK CONCURS WITH RECOMMENDATION OF SOCIETY NATIONAL BANK
TO AGREE WITH FNCB FOR RESTRUCTURING OF BALANCE ON DEBT, PROVIDED
THAT MACHINES ARE RELEASED FROM ATTACHMENT. PLEASE ADVISE
BRENN AND DONOVAN OF FNCB IN TAIPEI OF EXIMBANK/SOCIETY AGREEMENT
TO PERMIT RESCHEDULING OF PRESTO DEBT AFTER APPLICATION OF FUNDS
FROM SALE OF MACHINES, WITH SIX MONTHS GRACE PERIOD AND AFTER
THAT TWO YEAR TERMS WITH QUARTERLY INSTALLMENTS ON EXPECTED
APPROXIMATE ONE HUNDRED EIGHT THOUSAND DOLLAR BALANCE. EXIMBANK/
SOCIETY HAVE NO INTENTIONS TO FORCE PRESTO INTO BANKRUPTCY
AT THIS TIME, AND WILL WORK WITH FNCB IN REGARD TO ANY BANKRUPTCY
ACTION IN FUTURE IF THIS IS REQUIRED. EXIMBANK/SOCIETY ALSO
EXPECT THAT FNCB WILL NOT HINDER PRESTO FROM MAKING PAYMENTS AS
LONG AS IT IS ECONOMICALLY ABLE TO DO SO.

4. IF THERE IS AGREEMENT IN PRINCIPLE BETWEEN FNCB AND EXIMBANK/
SOCIETY DETAILS CAN BE WORKED OUT AFTER RELEASE OF ATTACHMENT ON
FOUR MACHINES. COPY OF THIS COMMUNICATION BEING SENT TO GEORGE
BOGDANOFF AT HONG KONG. MR. BOGDANOFF EXPECTED TO BE IN TAIPEI
ON OCTOBER 12. PLEASE ADVISE EXIMBANK WHEN FNCB AGREES TO RELEASE
OF MACHINES AND WHEN THEY ARE ON THEIR WAY BACK TO
UNITED STATES. KISSINGER

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